

# EXECUTIVE SUMMARY

## BUDGET OVERVIEW

The budgeting process involves analysis and review of historical data and trends, the use of economic indicators and forecasting to estimate revenues for the upcoming fiscal year. At this time of year, the Town has typically collected the first six months of various revenues that are distributed by the State quarterly and/or monthly. Much of the narrative, on the following pages, speaks to the trends related to the first two quarters of revenues distributed by the State to the Town.

In the past year we have seen peak inflation within the economy, causing the prices of goods and services to drastically increase. Because of this, we have tried to be conservative in our approach but still optimistic that the economy will continue to steadily improve in the months ahead despite the inflationary pressures that currently exist.

According to the Bureau of Labor Statistics North Carolina's unemployment rate was 3.4% as of April, 2023 as well as compared to 3.4% nationally. Similar figures for the same time last year were 3.3% and 3.6% respectively. The dominance of the professional services sector and proximity to the University of North Carolina and Research Triangle Park helps keep the unemployment levels lower in the Carrboro area.

North Carolina sales tax collections remained a strong point for revenues at both the state and local levels. As of April 2023, the town has collected 65% of its projected sales tax revenue. It should be noted that in June 2018, the United States Supreme Court ruled that states have the authority to require online retailers without a physical presence in the state to collect and remit sales taxes (*South Dakota v. Wayfair, Inc.*)

Through April, general fund revenue collections for FY23 total \$22.4 million or 81.1% of the adopted budget. Property tax revenue collections to date are \$15.6 million compared to \$15.4 million this time last year. Local sales tax revenues total \$3.5 million compared to \$3.2 million at the same time last year.

A key factor related to collection of sales tax and intergovernmental revenues is the lag period between collection by the State and distribution to local governments. The North Carolina Department of Revenue distributes local sale tax revenues to localities three months after the month in which they are earned, and intergovernmental revenues three month after the end of the quarter.

The Town continues to maintain its conservative approach in estimating revenues. The FY24 budget is based on revenue projections that are not overly optimistic, nor unduly pessimistic. The Town assumes that the North Carolina General Assembly will take no actions during its 2023 session that would negatively impact the Town's existing revenue stream.

In Carrboro, the total number of residential building permits increased in 2022 from the prior year, the total value of those permits also increased. Commercial permits increased substantially, with the total value increasing sharply from the prior year.

<u>Fiscal Year Ended</u> <u>June 30</u>	Commercial	Permits	Residential	Permits
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2009	320	1,581,608	425	19,858,118
2010	228	14,177,902	547	23,614,500
2011	123	2,794,123	556	16,089,505
2012	531	18,534,892	594	20,328,808
2013	395	6,926,461	539	21,670,200
2014	319	8,424,490	564	16,305,265
2015	370	8,098,185	621	20,965,551
2016	348	6,449,249	607	17,125,298
2017	297	3,489,324	624	19,431,014
2018	303	27,118,248	579	23,384,464
2019	120	10,858,919	631	22,566,174
2020	121	2,287,336	673	21,710,878
2021	115	4,664,640	781	21,632,976
2022	179	5,672,679	1009	29,970,115

### **TOTAL TOWN BUDGET**

In developing the FY24 budget, some operating expenses were increased due to inflationary demands. Capital item requests were re-prioritized, and some vehicle/equipment purchases deferred to future years. The major goals in developing the FY24 budget were to:

- Implement the Town Council’s strategic priorities.
- Retention of valued town staff.
- Development of a balanced budget.
- Manage costs while improving services to the residents,
- Conceptualize a long-term financial sustainability plan for the Town.

The total FY24 General Fund Adopted budget of \$29,330,449 is a 6% increase from the adopted budget of \$27,667,675 last year. When all other funds are considered, the total FY24 Town budget of \$81,122,943 is as follows:

**BUDGET SUMMARY FY 2023-24**

Fund	FY 2022-23	FY 2023-24	\$ Change	% Change
General Fund	\$27,667,675	\$29,330,449	\$1,662,774	6%
Capital Projects	\$50,825,396	\$41,465,910	-\$9,359,486	-18%
Special Revenue	\$11,156,649	\$9,122,838	-\$2,033,811	-18%
<b>Total Governmental Funds</b>	<b>\$89,649,720</b>	<b>\$79,919,197</b>	<b>-\$9,730,523</b>	<b>-18%</b>
Storm Water Enterprise	\$1,081,601	\$1,062,746	-\$18,855	-2%
Parking Enterprise	\$143,190	\$141,000	-\$2,190	-2%
<b>Total</b>	<b>\$90,874,511</b>	<b>\$81,122,943</b>	<b>-\$9,751,568</b>	<b>-11%</b>

**BUDGET PROCESS**

As traditionally, Departments are required to justify their operating budget for the continuation of services. The continuing budget includes adjustments for price increases in the cost of goods and services; and includes project and infrastructure expenditures reflected in the annual Capital Improvement Plan (CIP) which includes street resurfacing costs, replacement of vehicles and equipment, and debt service payments.

**REVENUES**

Carrboro’s revenue stream has two broad types of revenues: recurring revenues, and other financing sources which represent certain one-time inflows of revenue. Recurring revenues consist of property taxes, local sales taxes, other taxes/licenses, and intergovernmental revenues. Together these revenues comprise approximately 85.8% of total general fund revenues.

For FY24, total recurring revenues are projected to increase by 6% over the FY23 Adopted Budget. The projection for property tax revenues has increased 3% over last year’s budget due to steady increase in property taxes collected in FY 23.

Intergovernmental revenues, which comprise 5% of general fund revenues, are expected to remain steady from FY 23.

### Recurring Revenues – General Fund

	FY2022	FY2023	FY 2024	\$	%
	Actual	Adopted	Projection	Change	Change
<b>Revenues:</b>					
Ad Valorem Taxes	\$15,527,154	\$15,340,000	\$15,800,200	\$460,200	3.0%
Local Sales Taxes	\$6,416,480	\$5,419,200	\$6,116,000	\$696,800	12.9%
Other Taxes/Licenses	\$1,726,261	\$1,652,822	\$1,726,261	\$73,439	4.4%
Intergovernmental	\$2,089,013	\$1,510,298	\$1,510,298	\$0	0.0%
Permit & Fees	\$1,127,067	\$1,299,813	\$1,312,811	\$12,998	1.0%
Sales & Services	\$227,120	\$184,700	\$184,700	\$0	0.0%
Other Revenues	\$444,430	\$276,120	\$276,120	\$0	0.0%
Fund Balance Appropriated	\$0	\$1,984,722	\$2,404,059	\$419,337	21.1%
Total Revenues	\$27,557,525	\$27,667,675	\$29,330,449	\$1,662,774	6.0%
<b>Total Revenues &amp; Transfers</b>	<b>\$27,557,525</b>	<b>\$27,667,675</b>	<b>\$29,330,449</b>	<b>\$1,662,774</b>	<b>6.0%</b>

Property and sales tax revenues make up 75.0% of total general fund revenues in FY24. The total property tax valuation is estimated to be \$2,717,302,115 based on valuation by the Orange County Tax Administrator. The total property tax valuation net of exemptions is estimated at \$2,643,216,485. The property tax rate will remain at \$0.5894 per \$100 of valuation for the General Fund, and \$0.0150 per \$100 of valuation for the Affordable Housing Fund. Each penny of the tax rate is projected to generate approximately \$264,322. Property tax relief is available for the elderly, permanently disabled persons, and veterans who meet income and other specific exemption requirements.

Retail sales statewide in North Carolina continue to trend upward. Overall local sales tax revenues were \$3.5 million in April 2023 compared to \$3.2 million last year.

In FY 2015 the North Carolina General Assembly changed the method of distribution for electricity and piped natural gas sales.

Sales tax on piped natural gas statewide, on a percentage basis, declined sharply under the new distribution formula. Through the first two quarters of FY23, natural gas revenues have been \$21,096 or 47% of projected revenue.

For FY23, the Town has collected \$560,993 (58% of budget) in electricity tax revenues, and \$21,096 (46.0% of budget) in piped natural gas. In projecting electricity and natural gas tax revenues, it is important to remember that these revenues depend on weather, consumption, and

price of the utility. Significant fluctuations in local weather patterns and conditions directly affect consumption and may not mirror the statewide trend.

Telecommunications Sales Tax revenues statewide are expected to be 0.3% less than last year and projected to decrease statewide by 9.4% in FY24. Consumers are continuing to move away from landline telephone service to mobile telephone service. For the first two quarters of this fiscal year FY23 the Town has received revenue of \$54,695 or 45% of the adopted budget.

Local Video Programming revenue distributions continue to decrease statewide. The continuing revenue declines are due primarily to TV customers “cutting the cord” in favor of streaming services. The cable TV industry has responded with more streamlined cable packages that are more attractive to customers and seems to be slowing the decline rate. Projections of future video programming revenue vary. For the first two quarters of FY23, the Town has received revenue of \$32,888 or 53.3% of the adopted budget.

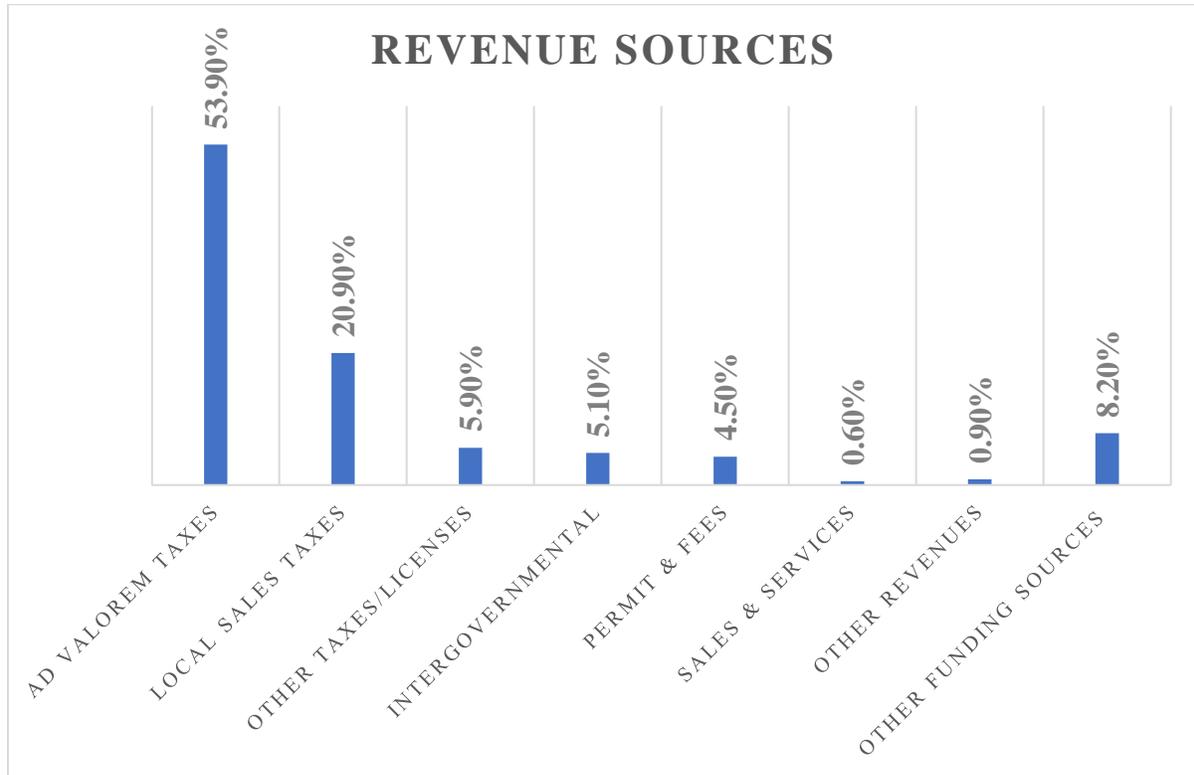
Beer and wine sales tax is an excise tax charged on the production of alcohol in North Carolina, and a portion is distributed to municipalities based on population. For FY23 state officials have indicated that beer and wine sales tax distributions will be 4.6% above than last year and a 2.1% increase is expected for FY24.

#### **OTHER FINANCING**

Other financing sources in the General Fund include inter-fund transfers, installment financing and fund balance appropriation. The Fund Balance Appropriation in the FY24 budget is \$2,404,059 or 8% of the total General Fund adopted budget. The Town has a policy that “fund balance appropriation is not to exceed 10.0% of the total General Fund operating budget in any given year”.

With uncertainty about actual revenues and expected increased expenditures, Fund Balance Appropriation fills the gap. Historically, the Town budgets Fund Balance Appropriation, but has seldom needed to use it for actual expenditures due to revenues exceeding expenditures.

**FY 2023-24 GENERAL FUND REVENUE SOURCES**  
**% of Total \$29,330,449**



**EXPENDITURES**

For FY24, total General Fund operating expenses increased by 6% over FY23. Of the total budget, personnel costs account for 63.0%, while operating costs account for 36%.

	<b>FY23 Adopted</b>	<b>FY24 Adopted</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Personnel</b>	<b>\$16,876,654</b>	<b>\$18,549,164</b>	<b>\$1,672,510</b>	<b>10%</b>
<b>Operating</b>	<b>\$10,140,068</b>	<b>\$10,640,285</b>	<b>\$500,217</b>	<b>5%</b>
<b>Capital Outlay</b>	<b>\$319,600</b>	<b>\$0</b>	<b>(\$319,600)</b>	<b>-100%</b>
<b>Transfers</b>	<b>\$331,353</b>	<b>\$141,000</b>	<b>(\$190,353)</b>	<b>-57%</b>
<b>Total</b>	<b>\$27,667,675</b>	<b>\$29,330,449</b>	<b>\$1,662,774</b>	<b>6%</b>

**PERSONNEL**

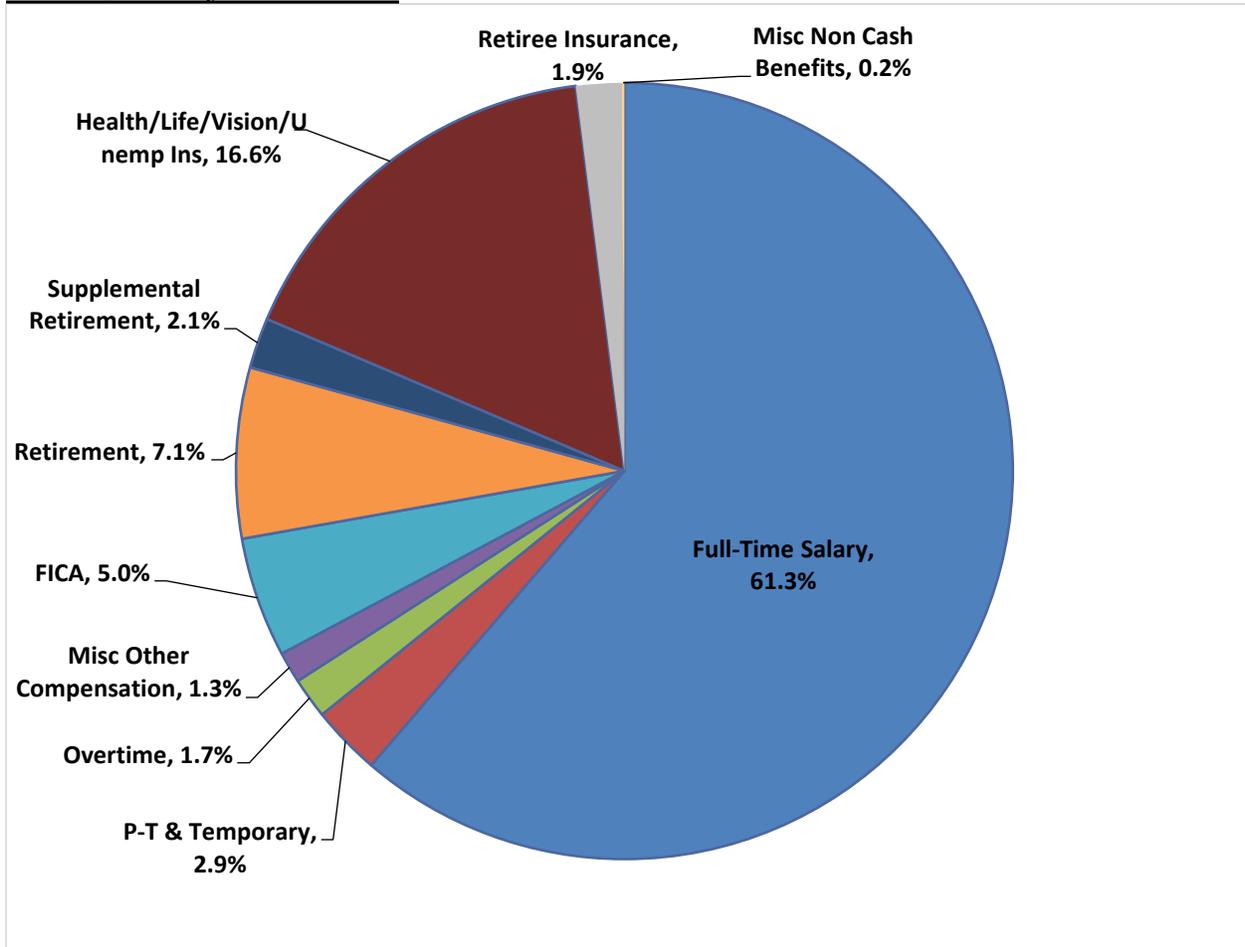
General Fund personnel costs are expected to increase by 10% accounting for all 175.0 Full-Time Positions. Funds to cover the salary adjustments and benefit cost increases are budgeted in the Non-Departmental budget.

To support the Town Council’s Race and Equity priority, two new positions are included, a Chief Race and Equity Officer and a Race and Equity Manager. These positions are located in the Town Manager’s Office.

Other factors affecting personnel costs include:

1. Projected 9.9% increase in health insurance premiums.
2. Increases in employer contribution rate to Local Government Employees Retirement System.
3. Across the board pay increase of 5% to permanent employees.

**FY 2023-24 Pay and Benefits**



Contribution rates for the Local Government Employees' Retirement System (LGERS) will increase to 12.90% for general employees; and, to 14.10% for law enforcement officers in FY24. Below is the schedule of contribution rates through FY24.

<b>LGERS Employer Contribution Rate</b>		
<b>Fiscal Year</b>	<b>General Employees</b>	<b>Law Enforcement Officers</b>
2020-21	10.20%	10.84%
2021-22	11.40%	12.04%
2022-23	12.10%	13.10%
2023-24	12.90%	14.10%

### **OPERATIONS EXPENSES**

General Fund operating expenses in FY24 will increase by 5% from \$10,140,068 to \$10,640,825. In addition to maintaining the existing service levels, funds are budgeted for Employee and Organizational Development activities (e.g., risk management/safety, Government Alliance on Race and Equity (GARE) training, supervisor training, etc.). The Town will continue with the implementation of its Energy and Climate Protection Plan (ECPP) and the Community Climate Action Plan (CCAP). Particular attention will be given to new projects to incorporate energy savings strategies with the goal of reducing operating costs and greenhouse gas emissions.

### **CAPITAL OUTLAY**

The biggest capital outlay in FY24 will be for replacement of vehicles. In addition to acquisition of the following vehicles, the Town will create an account in Capital Reserve Fund for the future purchase of fire apparatus.

<b>Department</b>	<b>Vehicles/ Equipment</b>	<b>Cost Estimate</b>
Police	Ford Hybrid Police Cruiser	\$58,000
Police	Ford Hybrid Police Cruiser	\$58,000
Police	Ford Hybrid Police Cruiser	\$58,000
Rec and Parks	Ford 350-Van	\$140,000
Rec and Parks	Ford F-150 Hybrid	\$40,000
Rec and Parks	Ford F-150 Hybrid	\$40,000
Public Works	Frontload Refuse Truck	\$490,000
Public Works	Ford F-150 Hybrid	\$40,000
Public Works	Ford F-150 Hybrid	\$40,000
	<b>Total</b>	<b>\$964,000</b>

**SPECIAL REVENUE FUND**

The Special Revenue Fund accounts for revenues and expenditures legally restricted or designated by the Town Council for specific program activities or services. Included in the Special Revenue Fund are the following:

1. Revolving loans for economic development.
2. Energy efficiency loans.
3. Business loan programs.
4. Affordable housing.
5. Powell Bill funds,
6. Grants administration.
7. American Rescue Plan Act.

The total budget for the Special Revenue Fund in FY24 is \$9.1 million dollars.

**SPECIAL REVENUE FUND SUMMARY**

	<b>Adopted</b>	<b>Adopted</b>		
	<b>Budget</b>	<b>Budget</b>	<b>\$</b>	<b>%</b>
	<b>FY2022-23</b>	<b>FY2023-24</b>	<b>Change</b>	<b>Change</b>
<b>Affordable Housing</b>	\$568,423	\$593,923	25,500	4.5%
<b>Grant Administration</b>	\$1,918,824	\$811,909	-1,106,915	-57.7%
<b>Powell Bill</b>	\$560,600	\$545,812	-14,788	-2.6%
<b>American Rescue Plan Act</b>	\$6,754,699	\$6,426,677	-328,022	-4.9%
<b>Emergency Loans</b>	\$636,063	\$131,600	-504,463	-79.3%
<b>Revolving Loans for Energy Efficiency</b>	\$205,227	\$205,227	0	0.0%
<b>Revolving Loan Fund</b>	\$512,813	\$407,690	-105,123	-20.5%
<b>Total</b>	<b>\$11,156,649</b>	<b>\$9,122,838</b>	<b>-2,033,811</b>	<b>-18.2%</b>

For FY24, 1.5 cents of the property tax will continue be dedicated to the Affordable Housing Special Revenue Fund. A General Fund transfer of \$188,193 will provide additional funding for the Affordable Housing Fund.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund includes projects that are financed by the General Obligation Bonds, debt financing, and pay-go for the construction or acquisition of a capital assets. Capital projects (i.e., those costing more than \$100,000 or take more than one year to complete) are generally planned for in the Capital Improvements Plan (CIP). Capital projects are funded by the adoption

of a Capital Project Ordinance by the Town Council that requires a balanced budget (i.e., expenses equal anticipated revenues) and is in effect until completion of the project.

Contingent upon fund balance ratios in the Town’s General Fund being within the stated policy goal of 22.5% to 35.0%, the Town Manager may assign an amount above 35% for future capital projects.

The total Capital Project Fund budget for FY24 is \$42 million. The largest project remains the development of the facility at 203 South Greensboro Street. This is a joint project by Orange County and the Town at an anticipated cost of \$41.2 million. This project will house the Orange County Southern Branch Library, Orange County Skills Development Center, Town Recreation, Parks, and Cultural Resources administrative offices, and several other compatible uses. The one addition to this Fund in FY24 is the use of assigned fund balance for the planning and design of Town Hall renovations. This fund also includes appropriations for the purchase of several replacement vehicles.

	<b>Adopted Budget FY2022-23</b>	<b>Adopted Budget FY2023-24</b>	<b>Amount Change</b>	<b>Pct Change</b>
<b>Fund:</b>				
Capital Projects	44,557,221	35,907,914	(8,649,307)	-19%
GO Bonds, Sidewalks and Greenways	5,705,097	4,531,257	(1,173,840)	-21%
Facilities Rehab	562,853	458,597	(104,256)	-19%
Capital Reserves	100	568,032	567,932	0%
Payment In Lieu	100	110	10	10%
Other			-	
<b>Totals</b>	<b>\$50,825,371</b>	<b>\$41,465,910</b>	<b>(9,359,461)</b>	<b>-18%</b>

In the GO Bond Sidewalk and Greenways Fund, the Town has been able to leverage state/federal funding for several of the sidewalk and greenway projects.

	<b>Life-to-Date Actuals</b>	<b>Adopted Budget FY2022-23</b>	<b>Adopted Budget FY2023-24</b>	<b>FY23 to FY24 Percent Change</b>
<b>Revenues:</b>				
Interest Earnings	\$75	\$85	\$181,000	
Restricted Intergovernmental	\$1,974,299	\$5,128,146	\$3,153,847	
Other Financing Sources	\$1,708,652	\$576,866	\$1,196,410	
<b>Total Revenues</b>	<b>\$3,683,026</b>	<b>\$5,705,097</b>	<b>\$4,531,257</b>	<b>-26%</b>
<b>Expenditures:</b>	□ □ □			
Morgan Creek Greenway Ph1	\$477,154	\$1,742,500	\$1,265,346	
S Greensboro St Sidewalk	\$266,245	\$2,862,262	\$2,596,017	
Jones Creek Greenway	\$180,356	\$850,250	\$669,894	
Sidewalk Repairs	\$249,470	\$250,000	\$0	
Projects Closed in 2022	\$2,987,455	\$0		
Capital Expense Reserve	-	\$85	\$0	
<b>Total Expenditures</b>	<b>\$4,160,680</b>	<b>\$5,705,097</b>	<b>\$4,531,257</b>	<b>-26%</b>

Because capital projects can affect all categories of spending in the operating budget, it is important to have a systematic planning process to prioritize needs, as well as identify possible financing plan. The Town Manager is responsible for developing and maintaining a five-year Capital Improvement Plan (CIP) that includes long-term maintenance, infrastructure needs, and technology needed for the community. As part of the Town’s ECPP and CCAP, all capital projects are to be evaluated for energy savings and greenhouse gas emissions reductions. The CIP through FY 2027 can be reviewed on the Town’s web site at: [www.ci.carrboro.nc.us/250/Financial-Documents](http://www.ci.carrboro.nc.us/250/Financial-Documents)

**CONCLUSION**

This budget was created with optimism that revenues will regain some momentum, but it was also developed using a conservative approach for the overall budget. Budgeted Town revenues for FY24 are above last year’s figures, and Town expenditures are slightly higher compared to FY23 to account for a portion of the inflationary increases.

The Town has begun to implement its energy and climate protection plan with the goal of not only saving energy, but also reducing operating costs as well. All capital projects, including vehicles and equipment, will be considered for energy saving measures that will also lead to reduced operating costs. As in the past, all investments in capital equipment will be analyzed from a cost-benefit analysis and to fully gain maximum use of the asset possible.

Careful and balanced choices are presented in the FY24 budget that provide for continued delivery of quality services, carrying out Town Council priorities, maintaining financial strength, and retaining talented and productive employees.

## 13 KEY STRATEGIC PRIORITIES

- 1) Race and Equity Initiatives
- 2) Community Action Plan
- 3) Zoning Amendments
- 4) Connectivity, Bicycle, Pedestrian
- 5) Comprehensive Plan
- 6) Safety Task Force
- 7) Affordable Housing
- 8) Develop/Achieve Operational Efficiencies
- 9) Strategic Plan/Performance Management
- 10) Town Building Renovations.
- 11) Infrastructure Improvements
- 12) Economic Development
- 13) 203 Project